

**MISSOURI PSTIF
FINANCIAL PROJECTION ASSUMPTIONS
PERIOD OF JULY 1, 2005 THROUGH DECEMBER 31, 2010**

The following are the assumptions used in projecting the Missouri Petroleum Storage Tank Insurance Fund Balances for the period of July 1, 2005 through December 31, 2010.

REVENUES:

- Transport Load Fees are projected to remain at \$40/load for the remainder of the projection period.
- \$100 Initial Tank Fees assumes 350 new tanks participating each year for fiscal years 2006 through 2011.
- UST Participation Fees for fiscal year 2006 are based on 2,745 policies. The number of policies is projected to increase 5 for fiscal year 2007, then remain constant at 2,750 policies for fiscal years 2008 to 2011. The average participation fee per policy for fiscal years 2006 through 2011 is assumed to be \$349, which reflects the current average participation fee. For fiscal years 2006 through 2011, Extended Reporting Period Endorsements are projected at an average participation fee per endorsement of \$436 with 109 in 2006, 150 in 2007, 200 in 2008, 250 for fiscal year 2009 through 2010 and 125 in fiscal year 2011.
- AST Participation Fees for fiscal year 2006 are based on 506 policies. The number of policies issued is projected to remain constant at 500 policies for fiscal years 2007 to 2011. The average participation fee per policy for fiscal years 2006 to 2011 is assumed to be \$428, which reflects the current average participation fee. For fiscal year 2006, Extended Reporting Period Endorsements are projected at 63 and for fiscal years 2007 through 2011, an average of 60 Extended Reporting Period Endorsements are projected at an average participation fee per endorsement of \$352.
- Interest Income is assumed to be earned at a 2.20% rate for fiscal year 2006, 3.00% for fiscal year 2007, 3.25% for the remaining fiscal years, based on the prior year ending fund balance.

ADMINISTRATIVE EXPENSES:

- Third-party Administrative Expenses are assumed to increase 2% for fiscal years 2006 through 2010.
- All other administrative expenses are based on fiscal year 2006 appropriation requests and assumed to increase 3% a year through fiscal year 2011, noting that an actuary study was performed in fiscal year 2005 and will be conducted every other fiscal year after 2005.
- State Government Expense represents a transfer of money from "Other Funds" to the General Revenue fund for fiscal years 2006 through 2011 for administrative costs.

CLAIM PAYMENTS:

- **UST Insurance Claims** - As of June 30, 2005 the Fund had 569 open UST Insurance claims, with 42 considered Large Loss Claims. The projections reflect cleanup activities were started on 359 of these claims as of June 30, 2005. The projections assume the remaining 168 claims will either start cleanup or submit invoices for work previously completed during the period of fiscal years 2006 through 2009.

For each fiscal year 2006 through 2011, it is assumed that 3% of insured UST sites will have or discover a release resulting in a claim.

Projected UST Insurance claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

The Board has chosen to offer tail coverage to UST policyholders. The projections assume 10 claims will be made during extended reporting periods in fiscal year 2006 through 2010, and 5 claims in fiscal year 2011.

Projected UST Tail coverage claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

- **UST Remedial Claims** - As of June 30, 2005, the Fund had 788 open UST Remedial claims, with 56 considered Large Loss Claims. The projections reflect cleanup activities were started on 427 of these claims as of June 30, 2005. The projections assume 75 claims will either start cleanup or submit invoices for work previously completed in fiscal years 2006, 70 in fiscal years 2007 through 2008, 60 in fiscal year 2009 and 30 in fiscal year 2010.

Projected UST Remedial claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

The projections estimate an additional 275 new UST Remedial claims being filed, and assumes the Board will continue to release funding for new remedial claims within 60 days of receipt, as has been its recent practice.

- **AST Insurance Claims** - The Fund currently has 76 open AST Insurance claims, with 10 considered Large Loss Claims.

For each fiscal year 2006 through 2011, it is assumed that 5% of insured AST sites will have or discover a release resulting in a claim.

Projected AST Insurance claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

The Board has chosen to offer tail coverage to AST policyholders. The projections assume 15 claims will be made during extended reporting periods in fiscal year 2006 through 2010, and 7 claims in fiscal year 2011.

Projected AST Tail coverage claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

- **AST Remedial Claims** - The Fund has 61 open AST Remedial claims, with 6 considered Large Loss Claims. These claims represent claims filed for “out of use ASTs” reported prior to December 31, 1997.

Projected AST Remedial claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

The projections estimate an additional 45 new AST Remedial claims being filed, and assumes the Board will continue to release funding for new remedial claims within 60 days of receipt, as has been its recent practice.

- **Large Loss Claims** – As of June 30, 2005, the Fund has 114 open claims with estimated cleanup costs equal to or greater than \$250,000. 95 additional claims are assumed to become large loss claims during fiscal years 2006 through 2011.
- **Risk-based Correction Action (RBCA)** – In February 2004, the Department of Natural Resources (DNR) issued new risk-based cleanup guidelines, which are expected to result in higher costs for site characterization and consultants’ analysis, and reduced remediation costs at some sites. The projections include revisions to some assumptions to reflect these changes.